

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 24, 2001

IN RE:)
)
FILING TO AMEND THE GAS REDELIVERY) **DOCKET NO. 00-00824**
AGREEMENT BETWEEN FORD MOTOR)
COMPANY AND PIEDMONT NATURAL GAS)
COMPANY)

ORDER APPROVING AMENDMENT TO GAS REDELIVERY AGREEMENT

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on November 7, 2000 upon the Request (the "Request") of Piedmont Natural Gas Company (the "Company" or "Piedmont") for approval of an Amendment (the "Amendment") to the Gas Redelivery Agreement (the "Agreement") between Piedmont and Ford Motor Company ("Ford").

Background

On April 23, 1993, the Tennessee Public Service Commission (the "Commission") approved the original Agreement, in Commission Docket No. 90-07401.¹ The Agreement allowed Piedmont to transport natural gas to Ford's Nashville manufacturing plant for a five-year period beginning March 1, 1993 and ending February 28, 1998. A special contract with Ford was made necessary by the possibility that Ford would seek an alternative supplier or move its Nashville operations to another location.

¹ *Order*, Commission Docket No. 90-07401, April 23, 1993. The original Agreement is between Ford and Nashville Gas Company, a division of Piedmont.

On March 12, 1999, in Authority Docket No. 98-00128, the Authority approved an Extension Agreement to the original Agreement which extended the term of the Agreement from March 1, 1998 through October 31, 2000. At that time, the Authority also approved an increase in rates over the rates contained in the original Agreement. In its Order issued on March 12, 1999, the Authority reaffirmed that the Agreement was necessary:

The Authority agrees that it is in the best interest of Nashville Gas and the ratepayers of Nashville Gas to retain Ford as a customer. The Authority also agrees that, considering the natural gas usage of the Ford plant and its close proximity to an interstate pipeline, by-pass remains economically feasible.²

Piedmont's Request

On September 8, 2000, Piedmont filed its Request in the form of a letter from Bill R. Morris, Director of Rates for Piedmont, to David Waddell, Executive Secretary of the Authority. The Request explains that the Amendment assigns the Agreement to Visteon Corporation ("Visteon"), a wholly-owned subsidiary of Ford.³ The Amendment also provides for the extension of the term of the Agreement until March 31, 2001, and, unless the Agreement is terminated by either party, the continuation of the Agreement on a month-to-month basis thereafter.⁴

In support of its Request, the Company maintains that the same facts continue to exist that supported the necessity of a special contract when the Agreement was originally approved by the Commission and when extension of the Agreement was approved by the Authority.⁵ The Company has also stated that the rates approved in the Extension Agreement will remain

² *Order Approving the Negotiated Gas Redelivery Agreement*, Docket No. 98-00128, March 12, 1999, p. 3.

³ Amendment, p. 1.

⁴ *Id.*

⁵ Company Response to Authority Staff Data Request, October 16, p. 1.

unchanged.⁶ The Company explains that an extension of the Agreement until March 31, 2001 with modification to a month-to-month basis thereafter is necessary “to provide a contractual bridge until the Company can negotiate a new long-term contract with Visteon.”⁷

Conclusion

At the November 7, 2000 Authority Conference, counsel for Piedmont stated that negotiations were in progress to extend the Agreement and that it was hoped that an extension would be agreed to before March 31, 2001.⁸ Counsel further stated that Piedmont would not be opposed to a stipulation that any month-to-month continuation of the Agreement, if necessary, after March 31, 2001 would not extend beyond June 30, 2001.⁹

Upon careful consideration of the Request and of the entire record in this matter, the Directors voted unanimously to approve Piedmont’s Request for an extension of the Agreement until March 31, 2001, with the Agreement to continue on a month-to-month basis thereafter if not renewed or terminated by either party, but not to continue on this basis beyond June 30, 2001.

IT IS THEREFORE ORDERED THAT:

1. The Request of Piedmont Natural Gas Company for approval of an Amendment extending the Gas Redelivery Agreement with Ford Motor Company is hereby granted, with the condition that any continuation of the Agreement on a month-to-month basis after its scheduled

⁶ Request, September 8, 2000.

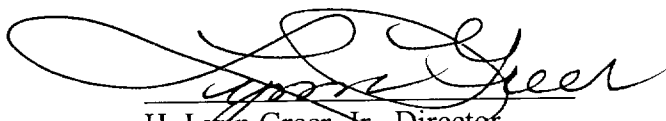
⁷ Company Response to Authority Staff Data Request, October 16, 2000, p. 3.

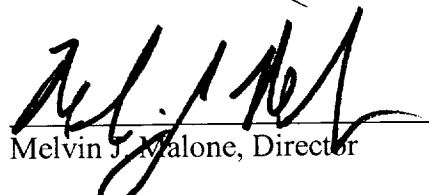
⁸ Transcript of Authority Conference, November 7, 2000, p. 21.

⁹ *Id.*, p. 22.

expiration on March 31, 2001 shall not extend beyond June 30, 2001.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary